FRIENDS COMMITTEE ON NATIONAL LEGISLATION

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Greening the U.S. Economy

President Barack Obama is acting quickly to promote more energy efficient cars and buildings. He has pledged to create new green jobs and increase use of renewable energy. In Congress, proposals to improve energy conservation and reduce greenhouse gas emissions are drawing bipartisan support.

However, the energy debate in Washington is still hobbled by false choices: either economic recovery or a sustainable economy but not both. The economic crisis has encouraged such short-term thinking.

Now is not the time to retreat on addressing the threats of climate change. The United States is in the middle of the largest economic restructuring project of at least the last half century. To jump-start economic growth, the government is investing hundreds of billions of dollars in projects that will likely reinforce the old fossil-fuel based economy. Congress should structure spending to build up green infrastructure, which will be essential to the survival of our economy and our planet.

Competition for dwindling supplies of fossil fuels is provoking resource wars around the world. The United States and the world's other nations will either fight and die over diminishing fossil energy resources or work and live together to create a sustainable future based on renewable energy sources, energy conservation, and new efficient technology.

Our faith leads us to seek an Earth restored. Fortunately, the path to a green economy is already clear, and evidence of success can be found all around the country.

In California, for instance, policies require energy efficient appliances and buildings. These policies have resulted in a per capita electricity consumption rate 40 percent below the national average.

California has also persuaded utilities to generate at least 20 percent of their electricity from renewable sources by 2010. The plans have been so successful that Gov. Arnold Schwarzenegger recently increased the goal to 33 percent by 2020. Twenty-five other states and the District of Columbia have also established requirements that at least a percentage of electricity produced in their states come from renewable resources such as hydropower, wind, or solar energy.

These states have been laboratories for how (and how not) to legislate greenhouse gas reductions and improved energy efficiency. Next, the White House and Congress need to develop federal policy that takes advantage of these lessons learned. Such a policy should set goals for generating electricity from renewable resources and begin to raise the price of fossil fuels to reflect the long-term costs of CO_2 emissions.

These changes will require the federal government to spend money, and they will require individuals and communities to adapt. As the articles in this issue illustrate, however, investments in renewable electricity, in reducing CO_2 emissions, and in creating green jobs can have almost immediate economic benefits.

The payoff for addressing climate change also goes well beyond dollars and cents. What price do you place on your children's having clean air to breathe and water to drink? What price an Earth restored? ■

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Success: Weatherization Program Gets Boost

Congress has vastly increased the amount of money available to help low-income families better insulate and improve the energy efficiency of their homes.

FCNL urged Congress to increase funding for the Weatherization Assistance Program as part of its economic recovery legislation. This program reduces U.S. fossil fuel use, frees up income for low-income families, and provides jobs.

The economic recovery bill that became law in mid-February includes $5 billion for weatherization over two years, a fivefold increase over the current annual funding level.

See the letters FCNL sent to Reps. Henry Waxman (CA), chair of the House Energy and Commerce Committee, and Peter Visclosky (IN), chair of the House Appropriations Subcommittee on Energy and Water Development by going to www.fcnl.org/energy and clicking on "Energy Efficiency and Renewable Energy." ■

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In Pursuit of Clean, Renewable Electricity

In a speech at Constitution Hall in Washington, DC, last July, former Vice President Al Gore challenged the United States "to commit to producing 100 percent of our electricity from renewable energy and truly clean carbon-free sources within 10 years."

Meeting this goal would require a presidential effort equivalent to the call by John F. Kennedy to put a man on the moon within 10 years. In the middle of an economic crisis, when opinion polls indicate public support is slipping for efforts to address climate change, elected leaders may be reluctant to make this effort. Such a short-sighted perspective ignores both the interconnectedness of economic and environmental health and the technological advances that make reducing carbon emissions an achievable goal.

As more scientific reports show the urgency of addressing climate change before it becomes irreversible, the United States already has begun to develop the technology needed to achieve Gore's objective. Twenty-six states and the District of Columbia have already adopted renewable electricity standards.

Most of these standards call for between 10 and 20 percent of a state's electricity to be generated from renewable sources within the next 10 to 20 years. Although the state standards are steps forward, a truly effective standard will need to be national policy. Not all states have equal access to renewable energy sources, and a national standard will allow the country to focus on interstate solutions that move renewable electricity from the often sparsely populated regions where it is produced (sun-baked deserts, windy mountain ranges, etc.) to population centers.

Congress would be smart to embrace Gore's call for 100 percent renewable electricity within 10 years. Regrettably, congressional leaders don't think they have the votes to pass legislation that would require even 15 percent of all electricity to be produced from renewable resources. Our challenge is to change that calculation.

The 2007 House energy bill included a provision that would have required 15 percent of U.S. electricity to be generated from renewable sources by 2020. The Senate blocked this bill three times until the renewable electricity provision was dropped. We at FCNL will work to win Senate approval for a renewable energy standard in the 111th Congress.

What's Holding the U.S. Back?

The United States has not adopted a national standard for three primary reasons: (1) many industries depend on the coal- and oil-based economy, (2) the nation's obsolete infrastructure impedes progress, and (3) some people still deny the enormity of the climate change problem.

Some opponents argue that regional differences in distribution of renewable resources will hurt states in the Southeast and Midwest. These states, most of which have not adopted a renewable electricity standard, have less access to wind and solar power. Many of them also have economies that rely on coal or natural gas and thus are invested in maintaining the status quo.

(continued on page 4)

Why a National Renewable Electricity Standard?

In the United States today, electricity generation is responsible for 40 percent of carbon dioxide emissions, according to the Energy Department. Four-fifths of those emissions come from coal-fired power plants.

Only about 3 percent of this nation's electricity currently comes from renewable sources. Changing how our country generates electricity, and moving from carbon-rich coal to low-carbon renewable sources, would be a huge step forward in reducing the greenhouse gas emissions that contribute to global warming.

Part of the solution is requiring utilities to produce a portion of their electricity from renewable sources, such as wind, solar, geothermal, biomass, landfill gas, and waterpower.

Renewable Electricity *(continued from page 3)*

Most renewable electricity standard plans and proposals address this problem with a credit system. Renewable energy producers earn credits for every kilowatt-hour of electricity they generate in a year. At the end of the year, they must turn in a certain number of credits to the government to show that they acquired the necessary percentage of electricity from renewable sources. If a utility or producer has more credits than required, it can sell them to utilities that were unable to use enough renewable energy.

This system allows the necessary renewable energy to be produced, and carbon reductions to occur, where this is the cheapest. For example, power plants in the Southeast can buy excess solar-generated credits from the Southwest. Overall, though, renewable energy still must be increased to the mandated level. The system creates incentives for utilities to use renewable power sources, since utilities need to pay for the credits they don't earn.

One major problem is that the national grid is not set up to get electricity from deserts and wind farms to cities, and building the power lines to transmit that electricity can pit one environmental good against another. In California, for example, community groups and environmentalists have objected to running new power lines through fragile public land.

Hope for the Future

Despite these obstacles, support for a national renewable electricity standard is growing. During his presidential campaign, Barack Obama said he would support a 10 percent renewable electricity standard by 2012, rising to 25 percent by 2025.

Renewable energy is also getting cheaper all the time, and a national standard would jump-start investment and further reduce the price. ■

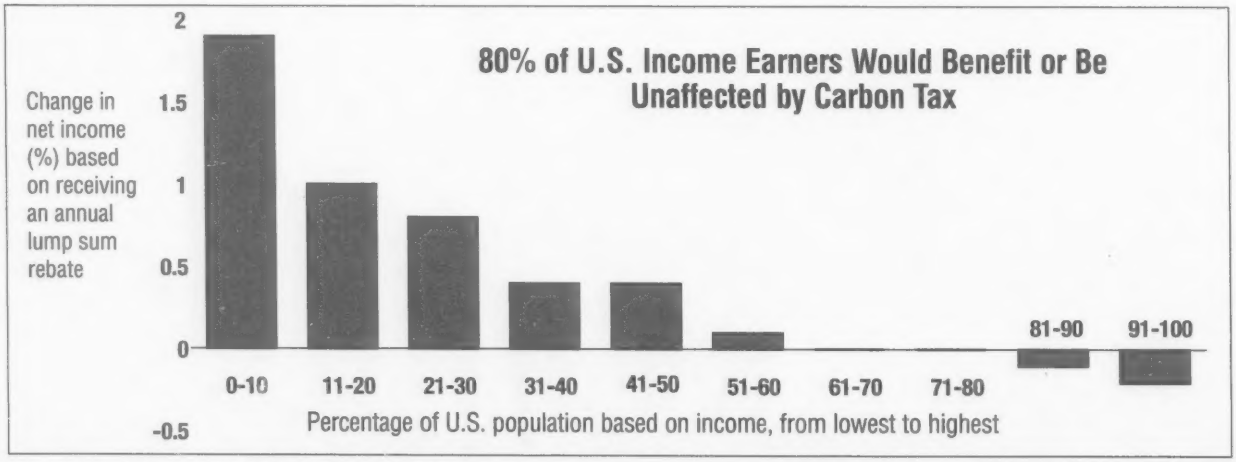
Prepare to Lobby!

The 111th Congress is underway. Do you know who your members of Congress are and how to reach them? Can you name the committees on which they serve (and thus the issues on which they may have the most influence)? What about how they voted on recent bills?

You can find all this information quickly and easily at www.fcnl.org. Click on "Contact Congress" and enter your zip code to search for your representative and senators. Click on each member's photograph to find contact information, staff members, voting records, and more.

Don't have Internet access? You can get your members' phone numbers and addresses by calling the Capitol Switchboard at (202) 224-3121.

Write down this information and post it on your refrigerator for easy access when you want to contact your representative and senators. To help you record this information, we've put together a flyer. You can get it at www.fcnl.org/pdfs/action/congress.pdf or by calling Stephen Donahoe at 202-547-6000, ext. 2504.



Source: Gilbert Metcalf et al., *Analysis of U.S. Greenhouse Gas Tax Proposals* (MIT Joint Program on the Science and Policy of Global Change), April 2008.

The Carbon Tax: A Market Solution to Global Warming

What do the CEO of the world's largest oil company, a former Reagan administration economist, the chair of the House Democratic Caucus, and the ranking Republican member of the House Science and Technology Subcommittee on Energy and Environment all agree on? That taxing the carbon content of fossil fuels would be the most direct, transparent, and effective way to reduce the human causes of global warming.

As this unusual collection of supporters demonstrates, proposals to levy a tax on carbon emissions, then return the money to taxpayers through a dividend check or a tax credit, have gained wider support in the past year.

A Simple System

One key to the carbon tax proposal is its simplicity. Rep. Pete Stark (CA) has called the carbon tax the best approach to reducing carbon emissions: "It doesn't have a bureaucracy. It's infinitely adjustable. It seems to me it's simpler."

Unlike "cap-and-trade" proposals — which would establish a steadily declining cap on total carbon emissions and an elaborate system allowing polluters to trade pollution credits — the carbon tax proposal uses the existing tax system to charge energy producers based on the carbon dioxide output of their product. Mining companies and refiners or importers of fossil fuels would pay this tax on each ton of carbon their product contains. The proceeds from these taxes would be kept in a separate fund and distributed back to individuals (e.g., through a check or a tax credit).

The carbon tax would increase the cost of coal, oil, and natural gas that you use. Producers, refiners, and importers would pass the higher taxes along to consumers. Because the tax would be directly tied to the amount of greenhouse gases produced by different types of fossil fuel, the relationship between this tax and greenhouse gases would be explicit. You would be able to gauge the carbon impact of your consumption by how much you are paying and make purchases accordingly. For more details on the carbon tax, see the September 2007 *Washington Newsletter.*

Why a Carbon Tax?

Making coal, oil, and gas producers and consumers pay for the full cost of the pollution they create would immediately spur investment in low-carbon alternatives. It would also provide a financial incentive for people to reduce their carbon consumption.

The effects of rising costs of carbon were seen briefly in the summer of 2008 when gas prices increased to more than $4 per gallon. As the costs of transporting everything from vegetables to industrial products rose, people and businesses began to change their behavior. Car dealerships reported an immediate jump in sales of fuel-efficient automobiles, and mass transit ridership went up dramatically.

The carbon tax would also create a huge incentive to reduce the carbon output of existing energy sources like old power plants — every ton of carbon dioxide saved is a few thousand pennies earned.

Another advantage of the carbon tax proposal is the support it attracts from opponents of more traditional government programs. Unlike with some programs, the incentives to invest in green technology come from market forces rather than a new government program or office. The support of market advocates could help build the majorities necessary to pass legislation.

While we at FCNL believe a carbon tax is the best mechanism to reduce CO_2 emissions, we also support other legislative measures that would immediately, effectively, and fairly curb our greenhouse gas emissions.

Legislators Not Yet Willing to Act

As of February 2009, however, our lobbyists do not see sufficient votes in the Senate to pass legislation that would cut carbon dioxide emissions quickly

(continued on page 6)

Carbon Tax *(continued from page 5)*

and deeply — through a carbon tax or through other means — without additional lobbying work around the country. In 2008 Sen. Barbara Boxer (CA) was unable to secure much bipartisan support for her climate change legislation, which would have created a cap-and-trade system. Some senators voted against Boxer's legislation because they feared it would produce economic stress.

The carbon tax, like Boxer's cap-and-trade system, would increase the cost of carbon-based fuels. Nevertheless, even business leaders have been attracted to the idea because the tax increase would be predictable, allowing for a stable investment environment. Many Republicans favor a carbon tax system that would offset the increased carbon costs by returning most of the tax to individuals. "Fiscal conservatives would gladly trade a carbon tax for a reduction in payroll or income taxes," wrote Rep. Bob Inglis (SC), ranking member of the House Science and Technology Subcommittee on Energy and Environment, and Arthur Laffer, a former Reagan administration economic advisor, in a *New York Times* op-ed in late December.

Writing in *Newsweek* recently, Exxon CEO Rex Tillerson had a similar reaction: "As a businessman, it's hard to speak favorably about any new tax. But a carbon tax strikes me as a more direct, transparent, and effective approach [to reducing energy consumption]."

John Larson (CT), the chair of the House Democratic Caucus, has sponsored one of the legislative proposals for a carbon tax. In an interview with the trade publication *Environment and Energy Daily* in early January, he said he believes a carbon tax could win broader support in Congress once legislators see the support it is gaining in the United States as a whole.

"Let's be honest about it. Most [environmentalists] never thought a carbon tax, too direct, would [ever] have a ghost [of a] chance of passing," he said. Most lawmakers believe Congress will vote first on legislation to establish a cap-and-trade system, but several, including Larson, argue that if that proposal does not succeed then a carbon tax could gain enough support to pass.

Carbon Tax Would Return Revenue

The key to winning public support for a carbon tax is that the money goes back to taxpayers. By itself, the carbon tax is regressive. People who pay a larger percentage of their income on energy and fuel, primarily people with low incomes, would be hurt the most. If the tax were accompanied by a dividend or tax credit system, however, it could easily be structured to have a net progressive effect — returning more money to most taxpayers than it costs them in higher bills for energy and products whose price is linked to energy (see chart on page 4).

If U.S. carbon emissions were initially taxed at $30 per metric ton, as is recommended by the British economist Nicholas Stern, and every person in the United States received an equal share of the total carbon tax revenue collected — say, in a lump-sum check at the end of the year — we would each get a check for more than $500, while gas would increase by a few dimes per gallon. The amount of that dividend check would steadily increase as the tax rose.

Another option to return the money to taxpayers would be an earned income tax credit. Tufts University economics professor Gilbert Metcalf estimates that employee and matching employer taxes on the first $3,660 of payroll taxes could be refunded in annual tax returns — up to $560 total for both parties, using 2003 data. Since not everyone pays payroll taxes, Metcalf looked at returning additional carbon tax funds through the Social Security system, which covers everyone except people who are unemployed or in the United States without documentation.

Although details continue to be worked out, a system that includes this kind of refund has a particular advantage over other legislative proposals because it would help low-income families and other people who would bear the brunt of rising carbon costs. We at FCNL will be looking at any proposal to make sure that people at the bottom of the income ladder — those who spend a larger percentage of their income on electricity and fuel for their vehicles — are not driven further into poverty.

So what would you do with your next carbon dividend check? One thing is for sure, you could feel good about its source. ■

Green Jobs *(continued from page 8)*

would create nearly four times more jobs than spending the same amount of money in the oil industry.

Will green jobs be available for all workers or only for the highly educated elite?

While many jobs that currently dominate the green economy require advanced degrees and training, green jobs span a wide array of skills, educational backgrounds, and occupational profiles, according to a study by the U.N. Environmental Program.

For example, a wind turbine manufacturing company requires employees from a number of different occupations and with varying skill sets, such as machinists, assemblers, engineers, electricians, welders, managers, mechanics, inspectors, and accountants. Installing these technologies would employ many construction workers. Retrofitting existing homes to increase energy efficiency would employ auditors, carpenters, plumbers, and electricians to update heating and cooling, improve insulation, and install energy-saving meters and devices.

Part of the government's investment in green jobs should include training to make sure a wide range of workers can become qualified to do them. For example, the city of Santa Fe, NM, created the Youthworks! program to train young people in retrofitting low-income housing by installing solar hot water heating systems and other green technologies.

Does protecting the environment cause unemployment?

Overall, no. Most studies conclude that the total number of jobs created will far surpass the jobs lost in a green economy. The transition to a cleaner economy will have a profound effect on individuals and communities, however. For instance, workers in the coal mining and fossil fuel industries will see their sectors become less competitive in the transition to a low-carbon economy, and workers could lose their jobs. Communities that depend on these industries will have to diversify their economies. The costs and benefits will not be spread evenly around the United States. Individuals and communities will need transition assistance as they adapt to these changes.

California – which generates only 21 percent of its electricity from coal – would not be as heavily affected by strategies to reduce coal consumption as Ohio, which draws 86 percent of its electricity from coal. States in the Midwest could have more difficulty switching to low-carbon forms of energy than would many coastal states.

Will climate change legislation hurt the economy?

Overall, no. The costs of not addressing climate change far outweigh the challenges of shifting to a low-carbon economy. The United States and the international community have little choice but to retool their economies for the new century. What price does society put on having fresh water to drink, preserving the coastal homes of millions, and maintaining a stable climate?

Studies of the impact of climate change legislation come to varying conclusions depending on the author and the type of analysis employed. The Energy Department estimated that climate change legislation under consideration by Congress in 2008 — the cap-and-trade proposal proposed by Sens. Barbara Boxer (CA), Joe Lieberman (CT), and John Warner (VA) that did not become law — would not significantly harm economic growth (U.S. Energy Information Administration, "Energy Market and Economic Impacts of S. 2191," April 2008).

Some assert that implementing these dramatic changes in how the country produces and uses energy will be difficult for people and communities. In the middle of a recession, policymakers might argue that reviving the economy and creating jobs is so urgent that a cleaner, healthier, and safer environment must wait. In fact, creating a healthy, sustainable economy and curbing global warming are both urgent and interdependent goals. People negatively affected can be assisted in the transition to a sustainable society.

For more information on the answers to these questions, see the electronic version of this article posted at www.fcnl.org/pubs/feb09. ■

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INSIDE: **YOUR CARBON TAX REFUND?**

No. 734, February 2009

Green Jobs, Green Investments, and Economic Growth

What is a green job?

The exact definition varies depending on whom you ask, but, broadly, a green job is employment that contributes to preserving or restoring environmental quality and avoiding future damage to the Earth's ecosystems.

Many green jobs are found in the energy industry. These jobs involve either producing renewable energy or improving the energy efficiency of existing systems.

Workers in this sector include those who produce systems that harness renewable energy sources (such as wind turbines and photovoltaic panels), who manufacture efficient appliances, and who install home insulation.

Engineering, legal, research, and consulting jobs currently dominate the green economy. In the short term, however, the biggest growth in green jobs may come in construction, architecture, weatherproofing, and other industries that increase the energy efficiency of existing buildings and industrial production lines.

Could the United States create 5 million or more green jobs in the coming decades?

Most groups that track green jobs agree that millions more people in the United States will soon be employed in green jobs. How many million and how soon depend on which people you ask and how they define a green job.

A study produced for the American Solar Energy Society estimates that, in 2006, 8.5 million people were already employed directly or indirectly by the renewable energy and energy efficiency industries. The society estimates that, by 2030, 40 million workers in the United States (1 of every 4) could have a job thanks to these industries.

In October 2008 the U.S. Conference of Mayors used different criteria to estimate that the U.S. economy already generates more than 750,000 jobs as a direct result of green industries and that an emphasis on green energy could increase that number to more than 4.2 million in the next 30 years.

Does green investment create jobs?

Yes. Investments in renewable energy produce more jobs per dollar invested or megawatt of power-generating capacity installed than do investments in the generation of power from fossil fuels, according to a 2004 study by the University of California at Berkeley.

Another study, by the Center for American Progress, found that $100 billion in clean energy investment

(continued on page 7)